

NFO Period: 26<sup>th</sup> April - 10<sup>th</sup> May 2024



# THIS OR THAT

What if you can take both?

Presenting

## Edelweiss Nifty Alpha Low Volatility 30 Index Fund

(An Open-ended Scheme replicating Nifty Alpha Low Volatility 30 Index)

Drives Performance



LOW VOLATILITY

Controls Risk



# Various types of Index Funds

## Broad Market Indices

- Nifty 50
- Nifty 500
- Midcap 150
- Nifty Smallcap 250

**Selection based on  
Market cap size**

## Single Factor Indices

- Nifty 100 Low Vol
- Nifty 100 Quality
- Nifty 200 Momentum
- Nifty 500 Value

**Selection based on  
factor score/ranks**

## Multi-factor Indices

- Nifty Alpha Low Vol
- Nifty Quality Momentum
- Nifty Quality Low Vol
- Nifty Alpha Quality

**Selection based on  
composite factor score**

# Multi factor vs single factor strategy

Period	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Max Drawdown (Last 10 Yr.)	Volatility
NIFTY Alpha Low-Volatility 30	58.4%	24.5%	19.0%	20.3%	-30.4%	14.6%
NIFTY 100 Quality 30	35.7%	16.8%	15.0%	13.8%	-31.2%	14.7%
Nifty 100 Low Volatility 30	41.3%	19.1%	17.5%	16.6%	-28.9%	13.9%
NIFTY 100	34.8%	17.0%	15.5%	14.7%	-36.7%	16.2%
NIFTY 100 Alpha 30	72.3%	24.1%	20.9%	20.6%	-32.7%	17.9%
NIFTY Large Midcap 250	46.0%	21.8%	19.5%	18.2%	-37.1%	16.2%
Nifty 200 Momentum 30	70.0%	28.6%	23.6%	23.7%	-33.5%	18.8%
Nifty Alpha 50	83.0%	28.7%	32.0%	25.6%	-36.7%	20.4%

Source: NSE; Note: The above is the performance of the index and should not be construed as returns of any schemes of Edelweiss MF; Total return index values are considered; Volatility is represented by annualized standard deviation of daily returns for the last 10 yrs.; Data as of Mar'24.

# Nifty ALV 30 Index – Wide Outperformance

The Alpha Low Vol index has outperformed both Nifty 100 – TR index and the average returns of active large cap funds across time periods

Period	Nifty Alpha Low Vol 30 – TRI	Nifty 100 - TRI	Top 5 Large cap Funds <sup>^</sup>
3M	12.35%	4.8%	8.8%
6M	32.10%	17.5%	23.6%
1Y	57.40%	34.8%	46.9%
2Y	25.40%	15.2%	21.4%
3Y	23.50%	17.0%	21.2%
5Y	18.00%	15.5%	17.2%
10Y	19.30%	14.7%	16.0%

Source: NSE; Note: Nifty Alpha Low Vol 30 – TRI returns are mentioned as net of 1% annual expenses; Data as of Mar'24; <sup>^</sup>Reg plan – Growth option returns of the best 5 performing funds for that respective period.

# Market cap allocation (Last 3 Yrs.)

Index	Large cap Allocation			Midcap Allocation		
	Average	Max	Min	Average	Max	Min
Nifty Alpha Low Volatility 30 - TRI	87%	93%	79%	13%	21%	7%
Nifty 100 - TRI	98%	99%	96%	2%	3%	1%
Active Large cap Funds	86%	88%	84%	11%	12%	9%

Source: Ace MF; Data as of Mar'24. Active Large cap Funds may have allocation to small caps which are added in midcap allocation numbers above

# Risk Ratios

Risk/return parameters	Nifty ALV 30	Largecap Funds
Sharpe	0.37	0.25
Std. Dev	14.29	13.44

Source: NSE, ACE MF; Note: The financial ratios are derived from 3 yr. CAGR returns rolled daily since April'05; Data as of Mar'24

# Financial year performance

The Alpha Low Vol index has outperformed the broader Nifty 100 – TR index in the last 8/10 financial years

Period	Nifty Alpha Low Vol 30 - TRI	Nifty 100 – TRI	O/p over Nifty 100 - TR
FY24	58.4%	34.8%	23.6%
FY23	0.8%	-1.6%	2.4%
FY22	20.7%	20.6%	0.1%
FY21	47.2%	71.2%	-24.0%
FY20	-15.9%	-24.9%	9.0%
FY19	10.7%	14.0%	-3.2%
FY18	19.4%	12.2%	7.2%
FY17	29.5%	22.6%	6.9%
FY16	-0.2%	-6.9%	6.7%
FY15	55.9%	30.8%	25.2%

Source: NSE; Data as of Mar'24; The above are the returns of the Index and should not be construed as returns of any schemes of Edelweiss MF. Past Performance may or may not sustained in future

# Nifty Alpha Low Vol 30 – A consistent outperformer

Investment horizon	Instances of o/p against Nifty 100 - TRI	Excess performance band (CAGR)			Avg. excess returns
		0%-2%	2%-4%	>4%	
10 Yrs.	100%	0%	4%	96%	6.3%
7 Yrs.	100%	14%	12%	74%	5.9%
5 Yrs.	88%	18%	11%	58%	5.2%
3 Yrs.	76%	12%	17%	47%	4.6%
1 Yr.	71%	7%	9%	55%	4.1%

Source: NSE; Rolling returns period considered from April'05 till Mar'24; Returns =<1 Yr. are in absolute terms and returns >1Yr are in CAGR terms; Past Performance may or may not sustained in future.



# SIP Outperformance

## 5 Yr. SIP Returns

Index name	Nifty Alpha Low Vol 30 - TRI	Nifty 100 - TRI
Start date	31-Mar-19	31-Mar-19
End date	31-Mar-24	31-Mar-24
Valuation date	01-Apr-24	01-Apr-24
Instalment amount	10,000	10,000
Total Invested Amount	6.0 lakhs	6.0 lakhs
Present Value	11.1 lakhs	9.7 lakhs
XIRR(%)	25.0%	19.1%

## 10 Yr. SIP Returns

Index name	Nifty Alpha Low Vol 30 - TRI	Nifty 100 - TRI
Start date	31-Mar-14	31-Mar-14
End date	31-Mar-24	31-Mar-24
Valuation date	01-Apr-24	01-Apr-24
Instalment amount	10,000	10,000
Total Invested Amount	12.0 lakhs	12.0 lakhs
Present Value	32.8 lakhs	26.4 lakhs
XIRR(%)	19.1%	15.0%

Source: ACE MF; Past Performance may or may not sustained in future. The above are the returns of the Index and should not be construed as returns of any schemes of Edelweiss MF; Data as of Mar'24

# Latest index constituents

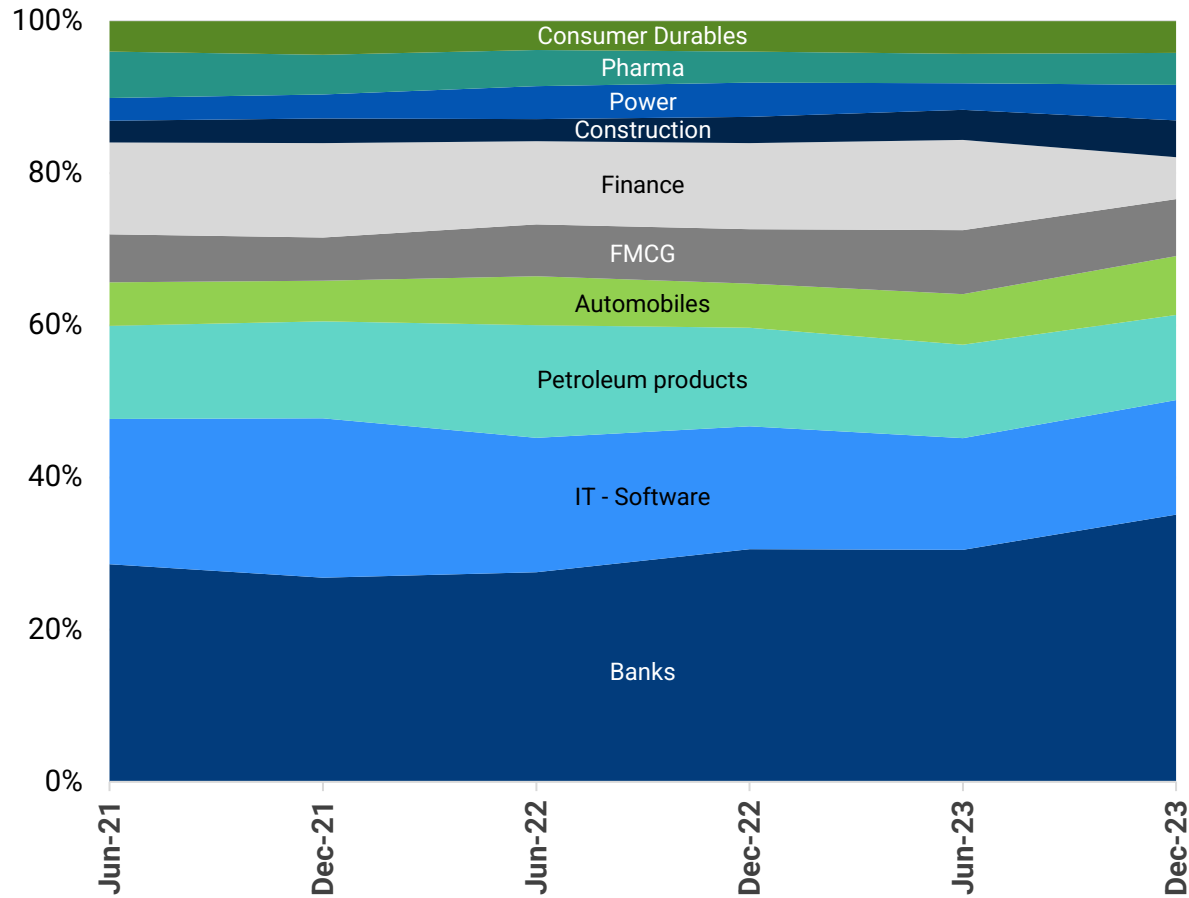
Sr. No.	Security name	Wt. (%)
1	Abbott India Ltd.	1.69
2	Alkem Laboratories Ltd.	2.89
3	Axis Bank Ltd.	2.57
4	Bajaj Auto Ltd.	4.68
5	Bharti Airtel Ltd.	3.89
6	Bosch Ltd.	3.02
7	Britannia Industries Ltd.	3.03
8	Coal India Ltd.	3.12
9	Colgate Palmolive (India) Ltd.	3.58
10	Cummins India Ltd.	3.09
11	Dr. Reddy's Laboratories Ltd.	3.40
12	Godrej Consumer Products Ltd.	2.95
13	Grasim Industries Ltd.	3.25
14	ICICI Bank Ltd.	3.81
15	ITC Ltd.	3.17

Sr. No.	Security name	Wt. (%)
16	Indian Oil Corporation Ltd.	3.62
17	Larsen & Toubro Ltd.	3.79
18	MRF Ltd.	3.19
19	Maruti Suzuki India Ltd.	4.26
20	NTPC Ltd.	3.63
21	Nestle India Ltd.	3.56
22	Oil & Natural Gas Corporation Ltd.	3.64
23	Siemens Ltd.	2.78
24	Sun Pharmaceutical Industries Ltd.	4.61
25	TVS Motor Company Ltd.	3.47
26	Tata Consumer Products Ltd.	3.13
27	Titan Company Ltd.	3.36
28	Torrent Pharmaceuticals Ltd.	2.80
29	UltraTech Cement Ltd.	3.02
30	Zydus Lifesciences Ltd.	3.00

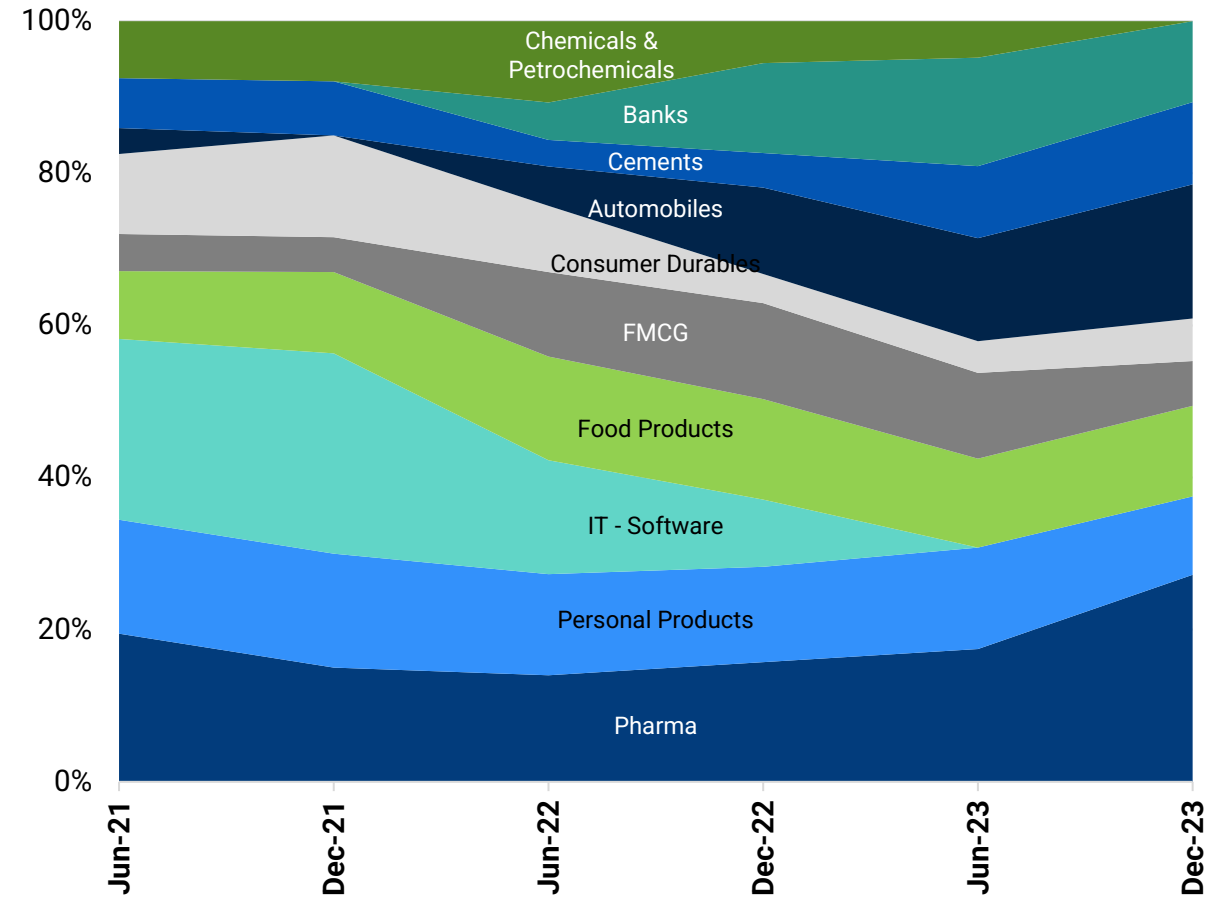
Wtd. average market cap of the index is at Rs. 1.93 lakh cr.

# Superior sectoral rotation vis-à-vis Nifty 100

## Nifty 100 – TR index

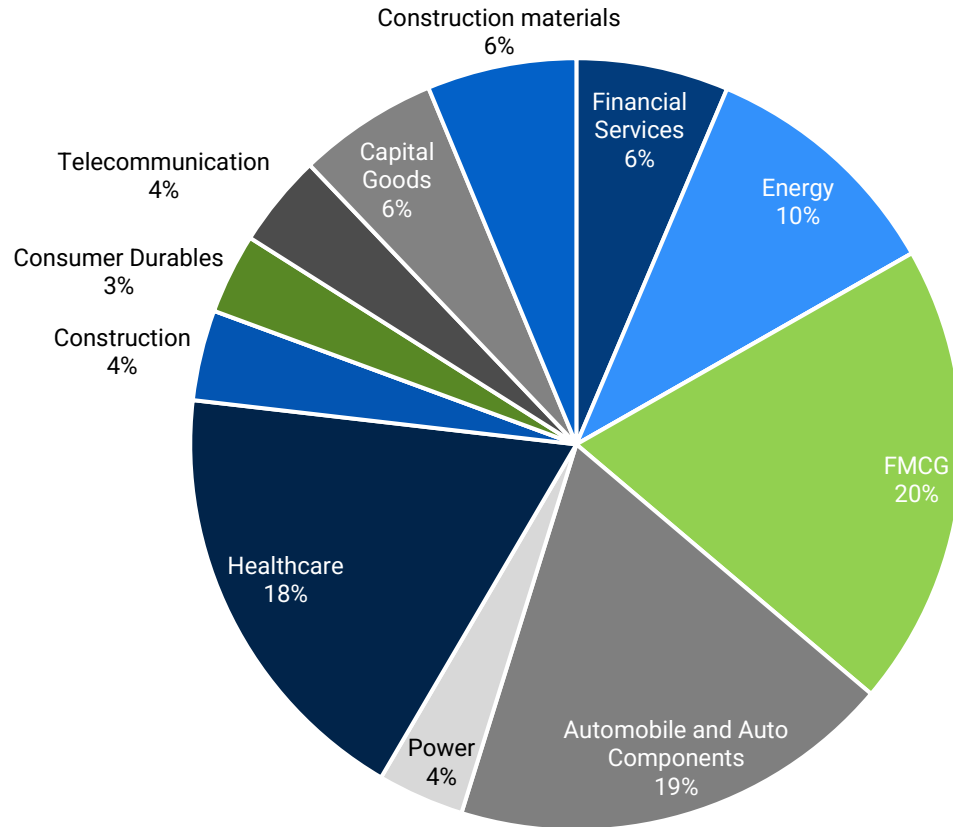


## Nifty Alpha Low Vol 30 - TR

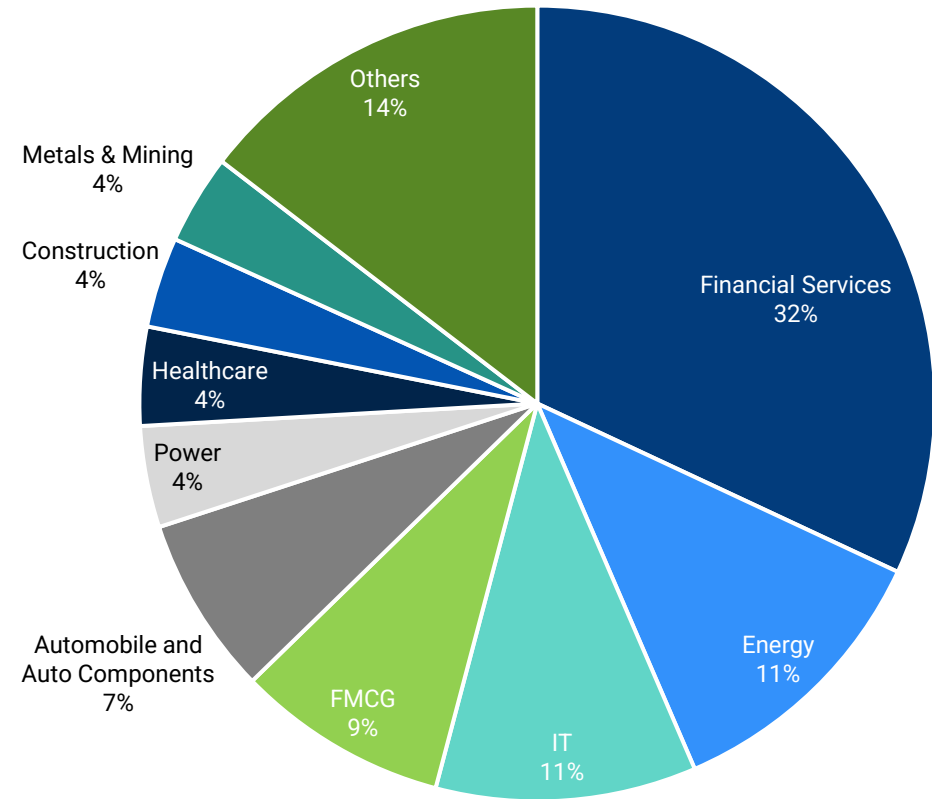


# Sectoral exposure differs from broader market

Nifty Alpha Low Vol 30 - TRI



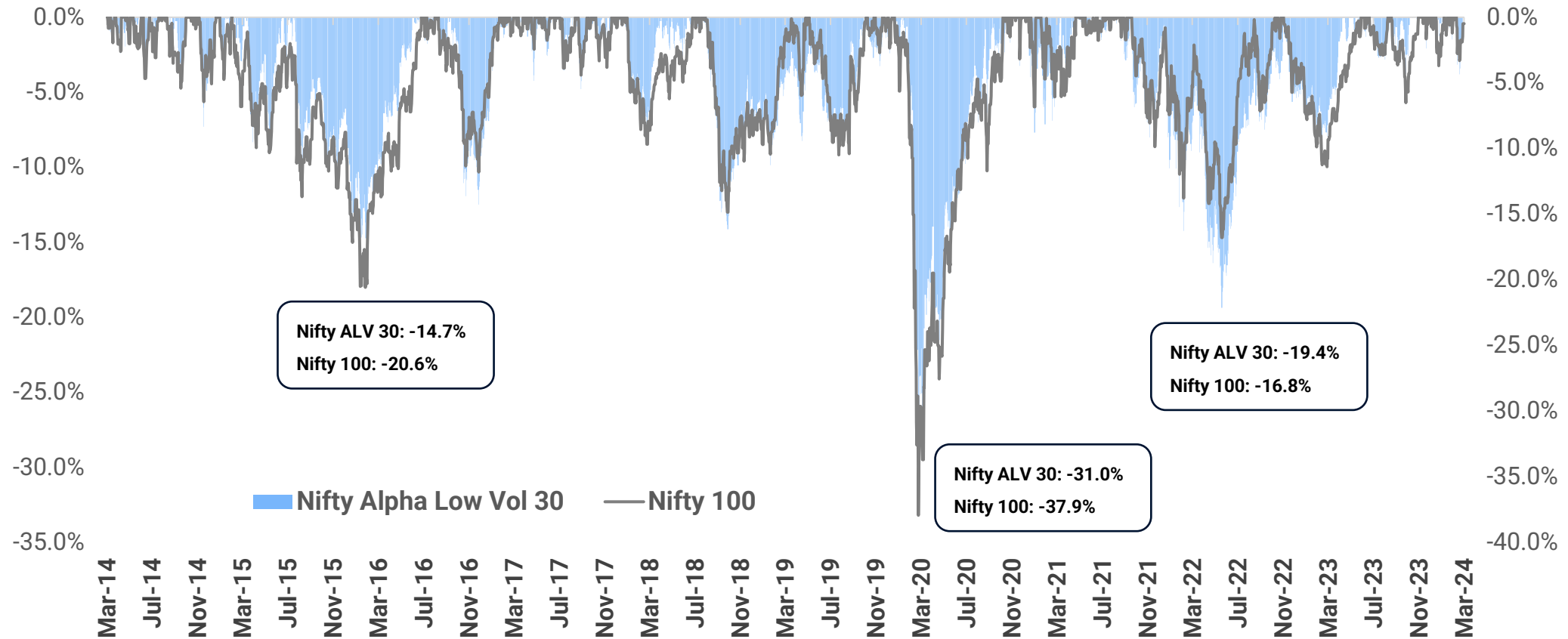
Nifty 100 - TRI



Source: NSE; Data as of Mar'24; For Nifty 100 - TRI, any sector < 3% is included in others

# Events of drawdown – Alpha Low Vol 30 vs Nifty 100

Nifty Alpha Low Volatility 30 index has experienced lower drawdowns



Source: NSE; Data as of Mar'24; Past Performance may or may not be sustained in future.

## Edelweiss Nifty Alpha Low-Volatility 30 Index Fund will replicate its underlying index

The Nifty Alpha Low-Volatility 30 Index is a multi-factor index based on 2 factors – Alpha and Low Volatility.

The Index tracks performance of 30 stocks, selected from a universe of 150 Large and Midcap stocks, that have recently outperformed the broader market yet are relatively less volatile.

Aim is to create a large cap-oriented portfolio that can outperform market cap-based indices and active large cap funds.

### What is Alpha?

- Pro-cyclical factor
- Drives excess returns
- Outperforms in up-cycle



### What is Low Volatility?

- Defensive factor
- Drives better risk adjusted returns
- Outperforms during down-cycle

# Multi-Factor Index – Best of both worlds



# Rule based stock selection

## Universe

Nifty 150 Large +  
Midcap stocks

Non-F&O stocks  
and stocks with  
less than 1 year  
listing history are  
excluded

## Stock Selection Factors

High Jensen Alpha  
in last 1 year

Low Volatility  
(Standard Dev) in  
last 1 year

## Stock Weights

Top 30 stocks  
selected based on  
equal weighted  
Alpha + Low Vol  
factors

Weights assigned  
based on  
composite score

## Stock Cap & Rebalancing

Lower of 5% or 5  
times the weight in  
Market cap-based  
index.


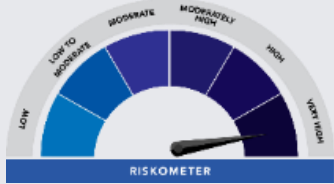
Semi-Annual  
rebalance



Scheme Type	An open-ended Equity Scheme replicating Nifty Alpha Low Volatility 30 – TR Index
<b>Investment objective</b>	<p>The investment objective of the scheme is to provide returns before expenses that closely correspond to the total returns of the Nifty Alpha Low Volatility 30 Index, subject to tracking errors.</p> <p>However, there is no assurance that the investment objective of the Scheme will be realized, and the Scheme does not assure or guarantee any returns.</p>
<b>Category of the Scheme</b>	Index Funds
<b>NFO Period</b>	26 <sup>th</sup> April 2024 to 10 <sup>th</sup> May 2024
<b>Plan Options</b>	Regular & Direct
<b>Fund Manager/s</b>	Mr. Bhavesh Jain
<b>Exit Load</b>	Nil
<b>Minimum NFO Subscription</b>	Minimum of Rs. 100/- and multiples of Re. 1/- thereafter.

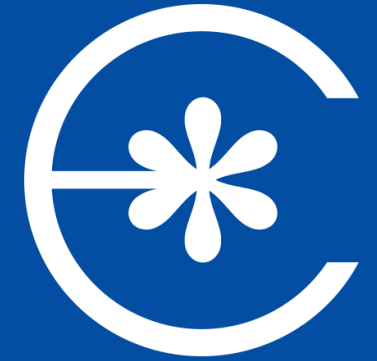
# Riskometer & Disclaimers

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Scheme Risk-o-meter	Benchmark Risk-o-meter
	
<b>Investors understand that their principal will be at Very High risk</b>	<b>Nifty Alpha Low Volatility 30 - TRI</b>
<p>This product is suitable for investors who are seeking<sup>^</sup>:</p> <ul style="list-style-type: none"><li>• Long term capital appreciation</li><li>• Passive Investment in equity and equity related securities replicating the composition of Nifty Alpha Low Volatility 30 Index, subject to tracking errors..</li></ul> <p><sup>^</sup>Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

**Thank you!**

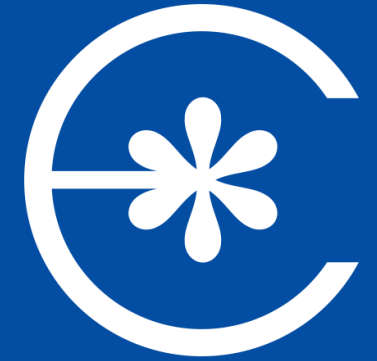


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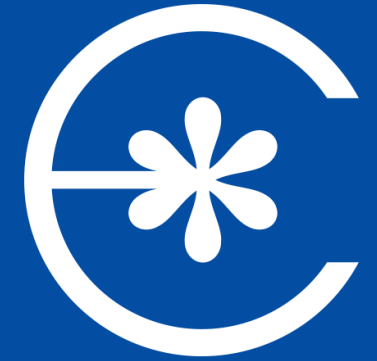
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# Annexure



# Nifty Alpha Low-Volatility 30 Index Methodology

## \* Eligible universe:

- Constituents of Nifty 100 and Nifty Midcap 50
- Stocks in the non-F&O segment; Stocks with < 1 year listing history.

## \* Stock Selection:

- Stocks with the highest Jensen Alpha score based on the last 1 year's return and Low volatility (Standard Deviation) score. Both factors are given 50:50 weight to arrive at the final scoring.
- The top 30 stocks with the highest scores are selected.

## \* Weights

- Weights are based on an equal-weighted combination of its Alpha and Volatility score
- Stock level cap at lower of 5% or 5 times the weight of the stock in the index based only on FF marketcap
- Index reconstitution on semi-annual basis in June and December.

# How is Alpha Calculated?

\* Alpha Z score is calculated for all securities based on Jensen's Alpha based on previous 1-year prices, where market portfolio is Nifty 50

\* Calculation of Alpha:  $\alpha_s = r_s - [r_f + \beta_s (r_m - r_f)]$

- $\alpha_s$ : Alpha of the stock
- $r_s$ : Average of daily return of security during previous 12 months
- $r_f$ : Average of daily 3 Month MIBOR rate during previous 12 months
- $r_m$ : Average of daily return of index i.e. Nifty 50
- $\beta_s$ : Beta of the security calculated based on previous 12-month period.

\* Z score of the factors are converted into Factor score based on the following formula

- Factor Score =  $(1 + \text{Average Z score})$  if Average Z score  $> 0$
- $1 / (1 - \text{Average Z score})$  if Average Z score  $< 0$

\* Percentile score is calculated from the factor score for every eligible security with security having the highest factor score getting the highest percentile score.